



The Clear Skies Act of 2003

Wisconsin and Clear Skies

Highlights of Clear Skies in Wisconsin

- Wisconsin sources would reduce emissions of SO₂ by 7%, NO_x by 42%, and mercury by 20% by 2020 due to Clear Skies.
- The health benefits in Wisconsin would total \$2 billion annually (\$390 million under the alternative estimate) and include approximately 300 fewer premature deaths (200 under the alternative estimate) and 700 fewer hospitalizations/emergency room visits each year.
- In addition, Wisconsin would receive environmental benefits, including visibility improvements valued at \$45 million for Wisconsin residents who visit America's National Parks and Wilderness Areas.
- Clear Skies does not significantly impact electricity prices. With or without Clear Skies, electricity prices in the electric supply region that includes Wisconsin are expected to remain below 2000 national average prices.

Clear Skies: An Innovative Approach to Improving Human Health and the Environment

Why Clear Skies?

- **Air quality has improved, but serious concerns persist**
 - Wisconsin's citizens suffer ill effects from air pollution, including asthma attacks and premature death
- **Electricity generation sector remains a major emissions source**
 - Very cost-effective to control the power sector, relative to other sources
 - Sources are concerned about upcoming complex and burdensome regulations

Advantages of the Clear Skies Approach

- **Guarantees significant nationwide emissions reductions – beginning years before full implementation**
 - Wisconsin sources would reduce emissions of SO₂, NO_x, and mercury
 - Delivers dramatic progress towards achievement of critical health and environmental goals
- **Uses proven, market-based flexible approach with incentives for innovation**
 - Recognizes environmental needs as well as industry constraints, allowing industry to better manage its operations and finances while lowering risks to the public
 - Sources are projected to install pollution controls to enable continued reliance on coal
- **Increases certainty across the board for industry, regulators, and consumers**

Under Current Clean Air Act Power Plants Would Face a Complex Set of Requirements

NSR Permits for new sources & modifications that increase emissions

Ozone

1-hr Serious Area Attainment Date

OTC NO_x Trading

NO_x SIPs Due

Designate areas for 8-hr Ozone NAAQS

1-hr Severe Area Attainment Date
NO_x SIP Call Reductions

Marginal 8-hr Ozone NAAQS Attainment Date

8-hr Ozone Attainment Demonstration SIPs due

Assess Effectiveness of Regional Ozone Strategies

Possible Regional NO_x Reductions ? (SIP call II)¹

Moderate 8-hr Ozone NAAQS Attainment Date

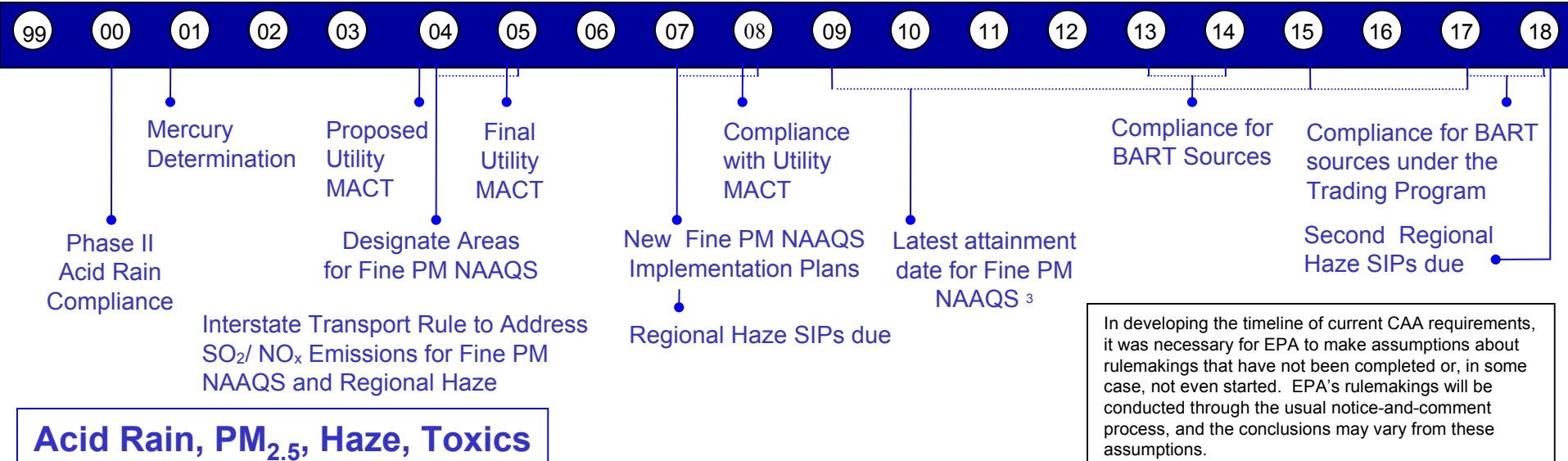
Note: Dotted lines indicate a range of possible dates.

¹ Further action on ozone would be considered based on the 2007 assessment.

² The SIP-submittal and attainment dates are keyed off the date of designation; for example, if PM or ozone are designated in 2004, the first attainment date is 2009

EPA is required to update the new source performance standards (NSPS) for boilers and turbines every 8 years

Serious 8-hr Ozone NAAQS attainment Date



Clear Skies Sets a Firm Timeline for Emission Reductions

2004: The NO_x SIP call (summertime NO_x cap in 19 Eastern States + D.C.)

→ **2004**

The existing Title IV SO₂ cap-and-trade program provides an incentive and a mechanism to begin reductions upon enactment of Clear Skies years before regulatory action under the current Act.

2008: Clear Skies NO_x Phase I (2.1 million ton annual cap assigned to two Zones with trading programs)

→ **2008**

2010: Clear Skies Hg Phase I (26 ton annual cap with a national trading program)

2010

2010: SO₂ Phase I (4.5 million ton annual cap with a national trading program)

2018: Clear Skies NO_x Phase II (1.7 million ton annual cap assigned to two Zones with trading programs)

→ **2018**

2018: Clear Skies Hg Phase II (15 ton annual cap with a national trading program)

2018: Clear Skies SO₂ Phase II (3.0 million ton annual cap with a national trading program)

Emissions in Wisconsin under Clear Skies

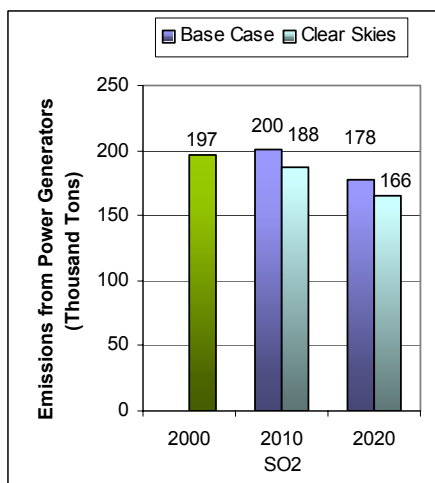
Emissions in Wisconsin (2020) would be reduced from 2000 levels:

- 16% reduction in SO₂ emissions
- 46% reduction in NO_x emissions
- 8% reduction in mercury emissions

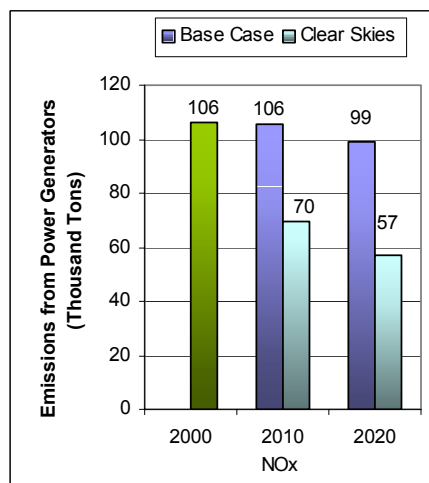
Emissions of SO₂ and mercury would be reduced due to Wisconsin State requirements. Since these requirements were undergoing revisions during EPA modeling, the reductions are not fully captured in base case.

**Emissions: Current (2000) and Existing Clean Air Act Regulations (base case*)
vs. Clear Skies in Wisconsin in 2010 and 2020**

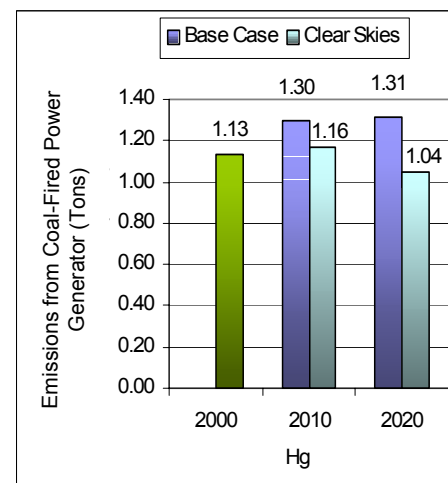
Sulfur dioxide



Nitrogen oxides



Mercury

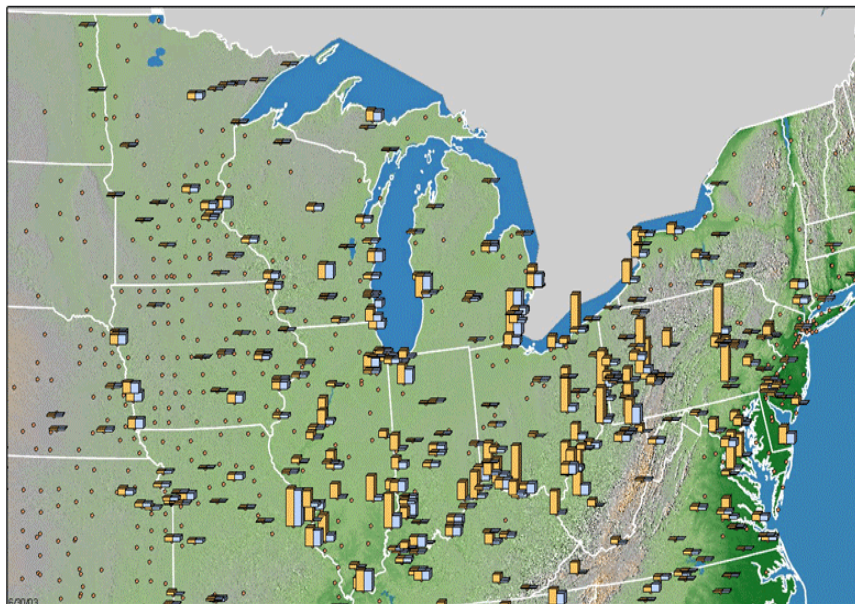


Note: The base case using IPM includes Title IV, the NO_x SIP Call, NSR settlements, and state-specific caps in CT, MA, MO, NC, NH, TX, and WI. It does not include mercury MACT in 2007 or any other potential future regulations to implement the current ambient air quality standards or other parts of the Clean Air Act. Base case emissions in 2020 will likely be lower due to state and federal regulatory actions that have not yet been promulgated.

SO₂ and NO_x Emissions Reductions under Clear Skies

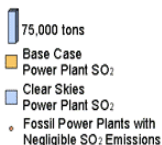
Emissions in Wisconsin and surrounding states would decrease considerably. These emission reductions would make it much easier for Wisconsin to comply with the national air quality standards.

SO₂ Emissions from Electricity Generation in Wisconsin in 2020

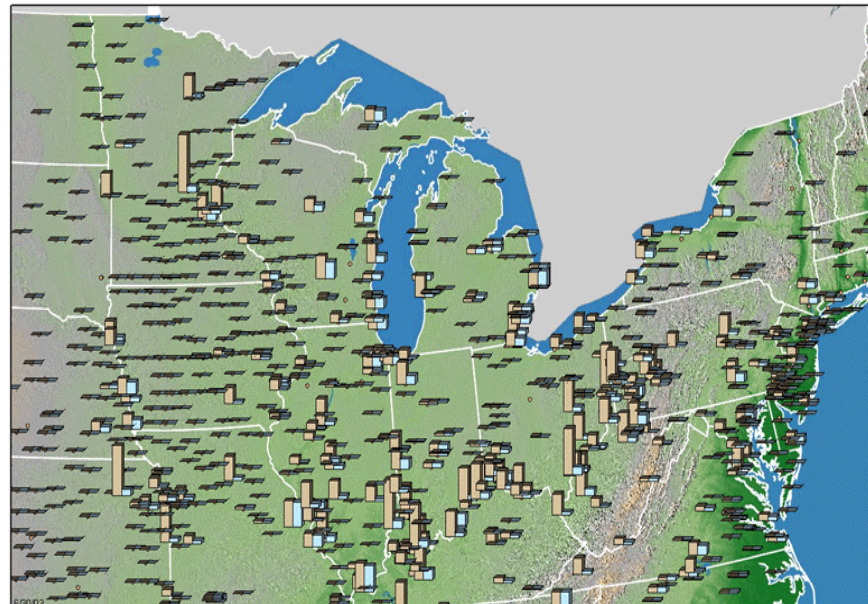


Projected SO₂ Emissions from Power Plants with the Base Case and Clear Skies (2020)

Midwest

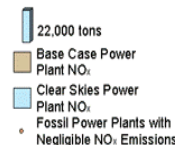


NO_x Emissions from Electricity Generation in Wisconsin in 2020



Projected NO_x Emissions from Power Plants with the Base Case and Clear Skies (2020)

Midwest



Note: The base case in IPM includes Title IV, the NO_x SIP Call, NSR settlements, and state-specific caps in CT, MA, MO, NC, NH, TX, and WI. It does not include mercury MACT in 2007 or any other potential future regulations to implement the current ambient air quality standards or other parts of the Clean Air Act. Base case emissions in 2020 will likely be lower due to state and federal regulatory actions that have not yet been promulgated. Emissions projected for new units in 2020 are not reflected.

Clear Skies Health Benefits in Wisconsin

Improve Public Health

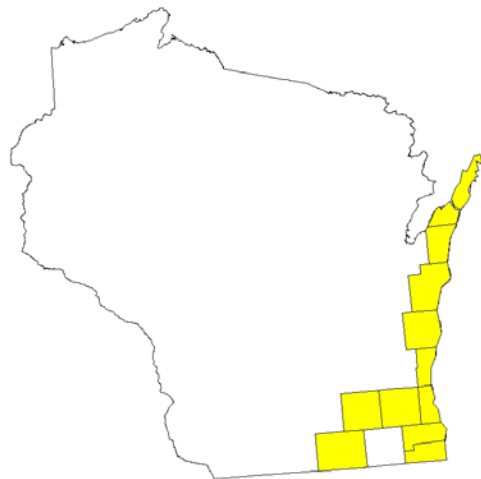
- **Reduced ozone and fine particle exposure** by 2020 would result in public health benefits of:
 - approximately 300 fewer premature deaths each year¹
 - approximately 200 fewer cases of chronic bronchitis each year
 - approximately 500 fewer non-fatal heart attacks each year
 - approximately 700 fewer hospital and emergency room visits each year
 - approximately 32,000 fewer days workers are out sick due to respiratory symptoms each year
 - approximately 6,600 fewer school absences each year
- **Reduced mercury emissions** would reduce exposure to mercury through consumption of contaminated fish, resulting in additional, unquantified benefits for those who eat fish from Wisconsin's lakes.

By 2020, Wisconsin would receive approximately \$2 billion in annual health benefits from reductions in fine particle and ozone concentrations alone due to Clear Skies.¹

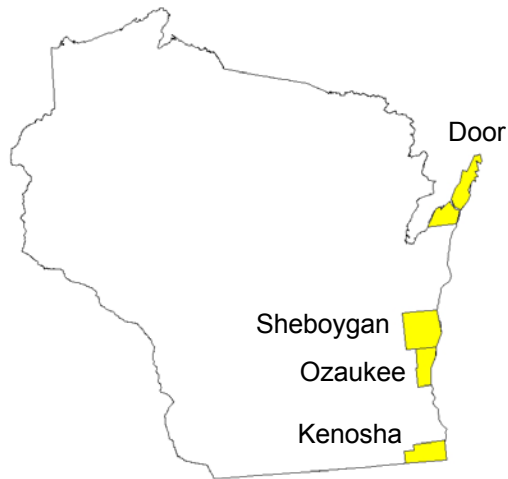
1. An alternative methodology for calculating health-related benefits projects approximately 200 premature deaths prevented and \$390 million in health benefits each year in Wisconsin by 2020.

Counties Projected to Remain Out of Attainment with the Ozone Standards in Wisconsin

Current Conditions



2010 Base Case



2020 Base Case






2010 Clear Skies



2020 Clear Skies



Legend

-  out of attainment with the 8-hour ozone standard only
-  out of attainment with the annual fine particle standards only
-  out of attainment with both standards

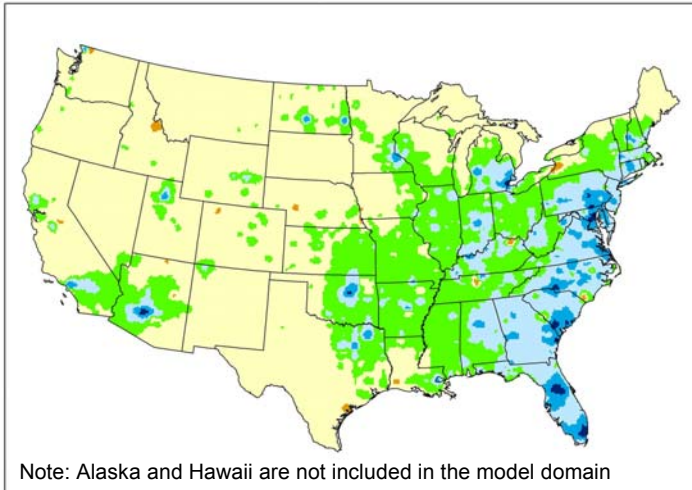
Note: Based on 1999-2001 data of counties with monitors that have three years of complete data. The base case includes Title IV, the NOx SIP Call, the Tier II, Heavy-Duty Diesel, and Nonroad Diesel rules, final NSR settlements as of early spring 2003, and state-specific caps in CT, MA, MO, NC, NH, TX, and WI. It does not include mercury MACT or any other potential future regulations to implement the current ambient air quality standards or other parts of the Clean Air Act.

Clear Skies Would Help Wisconsin Meet Air Quality Standards

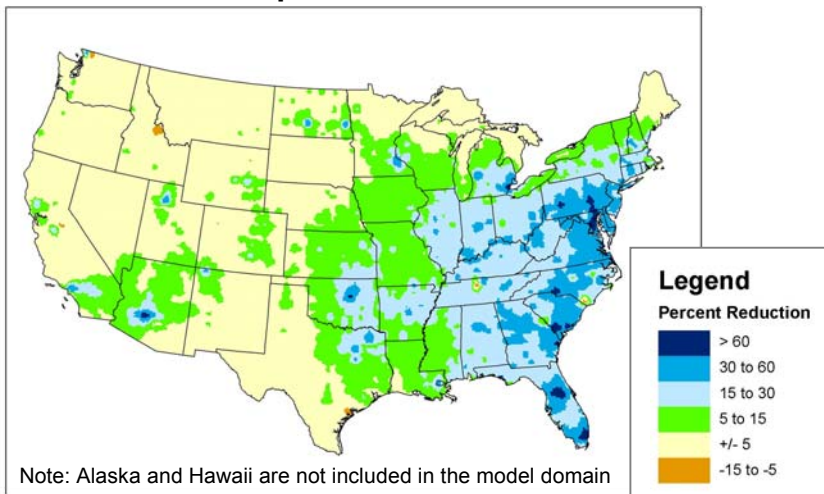
- Currently there are 11 counties exceeding the 8-hour ozone standard.
 - Most of these counties are expected to be brought into attainment with the 8-hour ozone standard under existing programs.
 - By 2020, all counties except Kenosha County are projected to be in attainment with the 8-hour ozone standard.
- **Clear Skies would significantly improve air quality in Wisconsin** further and more quickly than what is expected from existing programs.
 - By 2010, Clear Skies would bring Door County (population approximately 30,000) into attainment with the 8-hour ozone standard, earlier than under existing programs.
- In addition, Clear Skies would reduce ozone and fine particle concentrations in counties throughout the state and move the remaining non-attainment county in Wisconsin (Kenosha County) closer to attainment with the ozone standard.

Clear Skies Environmental Benefits in Wisconsin

Projected Changes in Mercury Deposition with the Base Case in 2020 Compared to 2001



Projected Changes in Mercury Deposition with Clear Skies and the Base Case in 2020 Compared to 2001



Clear Skies Would Provide Substantial Environmental Benefits in Wisconsin

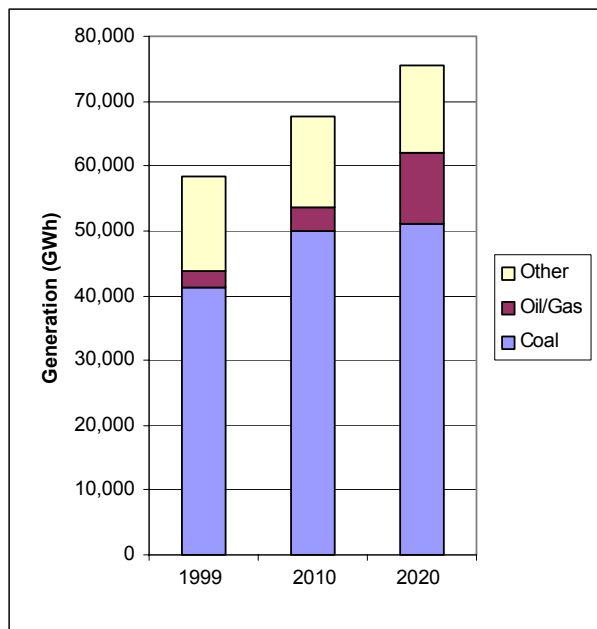
In comparison to existing programs,

- **Visibility would improve** perceptibly. The value of this benefit for Wisconsin residents who visit America's National Parks and Wilderness Areas is \$45 million.
- **Sulfur deposition, a primary cause of acid rain, would decrease** up to 30% across large portions of the state.
- **Nitrogen deposition, another significant contributor to acid rain as well as a cause of damage in nitrogen-sensitive forests and coastal waters, including the Gulf of Mexico hypoxia zone, would decrease 5-20%** across the state.
- **Mercury deposition would decrease** up to an additional 5% across most of Wisconsin, and up to 15% in some small areas of the state.*

* These results are based on modeling the Clear Skies mercury cap without triggering the safety valve.

Electricity Generation in Wisconsin under Clear Skies

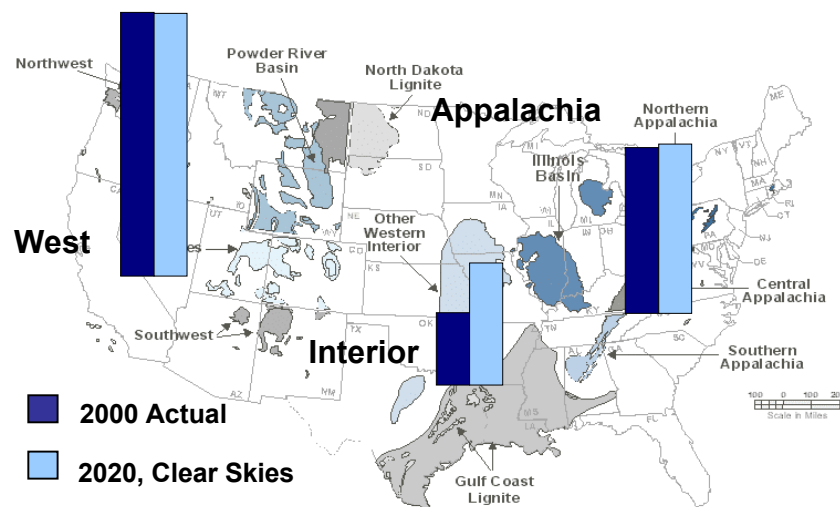
Current and Projected Generation by Fuel Type in Wisconsin under Clear Skies (GWh)



- Wisconsin's electricity growth is projected to be met by increases in gas-fired and coal-fired generation. Clear Skies does not significantly alter this projection.
 - Electricity from coal-fired generation will increase by 24% from 1999 to 2020.

- Wisconsin's sources are projected to reduce their emissions through the installation of emission controls, rather than through a switch from coal to natural gas.
 - In 2010, 78% of Wisconsin's coal-fired generation is projected to come from units with advanced SO₂, NO_x and/or mercury control equipment; in 2020, the percentage is projected to increase to 93%.
 - No coal-fired units in Wisconsin are projected to be removed from operation as a result of Clear Skies.

Current and Projected Coal Production for Electricity Generation



Scale: Appalachia 2000 = 299 million tons

Emission Controls in Wisconsin under Clear Skies

- **Under Clear Skies by 2020...**

- 10% of coal-fired capacity would install SCR
- No scrubbers would be installed
- 17% would install mercury controls

- **The major generation companies in Wisconsin include:**

- We Energies
- Wisconsin Public Service Corp
- Madison Gas & Electric Company
- Midwest Power

- **Total coal-fired capacity in Wisconsin is projected to be 7,072 MW in 2010**

Units in Wisconsin Projected to Be Retrofitted Due to Clear Skies by 2020

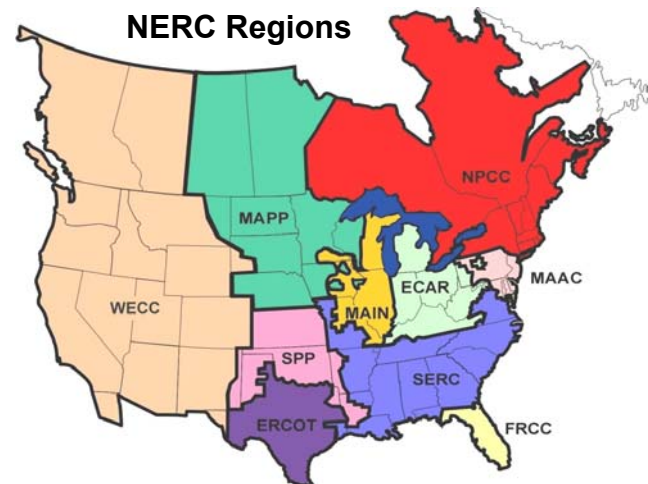
Plant Name	Unit ID	Technology
EDGEWATER	4	SCR*
J P MADGETT	B1	SCR
PLEASANT PRAIRIE	1	ACI
PLEASANT PRAIRIE	2	ACI

* Retrofit was installed under Clear Skies by 2010

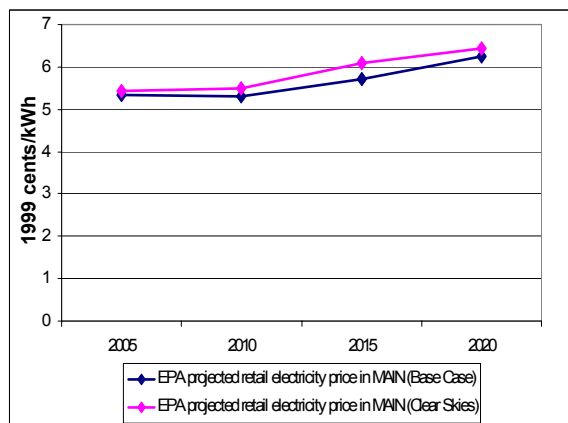
Note: Retrofits and total coal-fired capacity apply to coal units greater than 25 MW.

Electricity Prices in Wisconsin under Clear Skies

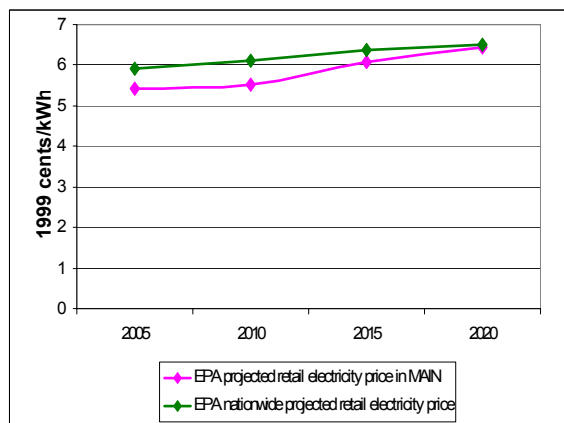
- With or without Clear Skies, retail prices in the North American Electric Reliability Council (NERC) MAIN region (the electricity supply region that contains Wisconsin) are projected to increase between 2005 and 2020.
- With Clear Skies, retail prices are projected to be approximately 1.9 – 6.5% higher between 2005 and 2020 than in the absence of the legislation.



Projected Retail Electricity Prices in Wisconsin under the Base Case and Clear Skies (2005-2020)



Projected National Retail Electricity Prices and Prices in Wisconsin under Clear Skies (2005-2020)



In 2000, the average retail electricity price in Wisconsin was approximately 5.7 cents/kWh, which was below the average *national* retail price of approximately 6.7 cents/kWh.

Note: The base case using IPM includes Title IV, the NO_x SIP Call, NSR settlements, and state-specific caps in CT, MA, MO, NC, NH, TX, and WI. It does not include mercury MACT in 2007 or any other potential future regulations to implement the current ambient air quality standards or other parts of the Clean Air Act. Base case emissions in 2020 will likely be lower due to state and federal regulatory actions that have not yet been promulgated.

Costs and Benefits in Wisconsin under Clear Skies

Benefits Outweigh the Costs

- **In Wisconsin, Clear Skies is projected to cost approximately \$24 million annually by 2020 while providing health benefits totaling approximately \$2 billion annually.**
- **The increases in production costs under Clear Skies represent only a small percentage of total retail electricity sales revenue in Wisconsin.**
 - Retail electricity sales revenue in Wisconsin was over \$3.7 billion in 2000.
 - Adjusting these sales revenues by the same growth rate used for the modeling of costs would result in revenues of almost \$5.7 billion annually in 2020.
- **Nationwide, the projected annual costs of Clear Skies (in \$1999) are \$4.3 billion in 2010 and \$6.3 billion in 2020; the nationwide benefits of Clear Skies are expected to be over \$113 billion annually by 2020.**
 - An alternate estimate projects annual health benefits totaling \$23 billion.

Clear Skies....

- **Guarantees significant emissions reductions – beginning years before full implementation**
- **Uses a proven and flexible market-based approach with incentives for innovation**
- **Increases certainty across the board for industry, regulators, and consumers**

Note: Costs include capital costs, fuel, and other operation and maintenance costs (both fixed and variable) associated with the achievement of the emissions caps in the legislation (for example, the installation and operation of pollution controls). These state-level production costs are estimates; they do not account for the costs associated with the transfer of electricity across regions, nor the costs or savings that could be associated with allowance movement between sources.

Notes on EPA's Analysis

- The information presented in this analysis reflects EPA's modeling of the Clear Skies Act of 2003.
 - EPA has updated this information to reflect modifications:
 - Changes included in the Clear Skies Act of 2003.
 - Revisions to the Base Case to reflect newly promulgated rules at the state and federal level since the initial analysis was undertaken.
 - The Clear Skies modeling results presented include the safety valve feature
 - This analysis compares new programs to a Base Case (Existing Control Programs), which is typical when calculating costs and benefits of Agency rulemakings.
 - The Base Case reflects implementation of current control programs only:
 - Does not include yet-to-be developed regulations such as those to implement the National Ambient Air Quality Standards.
 - The EPA Base Case for power sector modeling includes:
 - Title IV, the NO_x SIP Call, NSR settlements, and state-specific caps in Connecticut, Massachusetts, Missouri, New Hampshire, North Carolina, Texas, and Wisconsin finalized before March 2003.
 - For air quality modeling, the Base Case also includes federal and state control programs, as well as the Tier II, Heavy Duty Diesel, and Non-Road Diesel rules.
- **For more information regarding the Clear Skies Act, please visit the EPA website:**

(<http://www.epa.gov/clearskies>)

